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# Investing in tomorrow...

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Wales highlights 2012

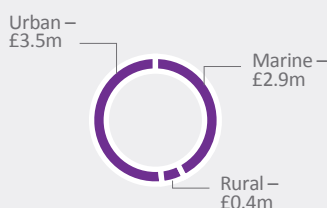


The statutory duties of The Crown Estate direct us towards a long-term perspective in managing our assets. But whilst we continue to invest in projects that will bear fruit in the years to come, we also work hard today to deliver demonstrable benefits to local communities in Wales, as well as to the Treasury. From facilitating the development of offshore renewable energy projects to investing in a major retail park in south Wales, 2011/12 saw a number of important achievements.

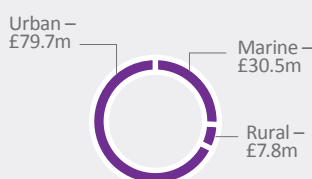
### How we've performed

	The Crown Estate Wales 12 months to 31 March 2012	The Crown Estate Wales 12 months to 31 March 2011	The Crown Estate total 12 months to 31 March 2012	The Crown Estate total 12 months to 31 March 2011	Increase/ (decrease) from prior year	Percentage of total
	£m	£m	£m	£m	%	%
Revenue	6.8	2.8	314.2	306.8	243%	2.2%
Gross surplus	6.5	2.5	272.4	264.3	260%	2.4%
Property value	118.2	31.3	7,219.9	6,703.3	378%	1.6%
Capital investments	84.3	0.4	409.9	571.0		
Capital receipts	–	0.1	639.7	406.1		

#### Revenue by activity 2012



#### Property valuation by activity 2012



### Understanding The Crown Estate

Established by Act of Parliament, our organisation's role is to maintain and enhance the value of the hereditary estates of the Crown, on behalf of the nation.

Our vision is to be the UK's most respected property company as a result of the commercial and sustainable way we manage the diverse portfolio of assets.

The profit earned from our activities is paid to the Treasury for the benefit of the nation. Over the last 10 years this has amounted to over £2 billion UK-wide, whilst the capital value of the portfolio has increased by over £3 billion during the same period.

Our Welsh portfolio is diverse including, on our rural estate, substantial areas of common land, agricultural holdings and a range of mineral interests. Our marine estate takes in around half of the foreshore and the seabed out to 12 nautical miles, where we are playing a key role in enabling developers to realise the potential for renewable energy, particularly through offshore wind farms. The regional

portfolio of our urban estate made its first investment in the country during 2011/12, with the purchase of Morfa shopping park in Swansea.

In managing our Welsh estates we aim to work in partnership with government and local communities for mutual benefit. We have built good working relationships with the Welsh Government and the National Assembly for Wales, local councils, communities and our own customers.

While our core objective is to be a profitable organisation, we combine that commercial imperative with an equally firm commitment to our values of integrity and stewardship. We manage the assets in our care for the sustainable, long-term benefit of our tenants and other customers, their businesses, the communities they represent, and the environment.



# The estate and financial highlights

For year ended 31 March 2012



## Welsh marine estate

In Wales our economic interests include ports, marinas, wind farms and marine aggregate extraction.

We are custodians of the seabed out to the 12 nautical mile territorial limit, including the rights to explore and utilise the natural resources of the UK continental shelf (excluding oil, gas and coal). We are responsible for 65 per cent of the Welsh foreshore.

Through our marine stewardship programme, we support a range of practical projects that contribute to good stewardship around the UK coast.



## Welsh rural estate

We have rural estates at Aberystwyth, Plynlimon and Tintern totalling 1,326 hectares (3,277 acres) of agricultural land and 26,885 hectares (66,435 acres) of Welsh common land.

In addition, we have 99,000 hectares (245,000 acres) of mineral only ownership in Wales. There are currently 10 sites leased for mineral extraction in Wales spread across six local authorities. The Crown Estate grants leases to commercial operators for gold and silver exploration and mining across the UK.



## Welsh urban estate

We completed the £80 million purchase of Morfa shopping park, Swansea, during the year. This is the first investment in an asset in Wales by the regional portfolio of our urban estate.

## Revenue by activity

	Year ended 31 March 2012	Year ended 31 March 2011
	£m	£m
Cables/pipelines	0.3	0.2
Coastal	1.4	1.3
Dredging	0.8	0.4
Renewables	0.4	0.4
<b>Marine</b>	<b>2.9</b>	<b>2.3</b>
Agricultural	0.1	0.1
Minerals	0.3	0.4
<b>Rural</b>	<b>0.4</b>	<b>0.5</b>
<b>Urban Retail</b>	<b>3.5</b>	<b>–</b>
<b>Total</b>	<b>6.8</b>	<b>2.8</b>

## Property value by activity

	Year ended 31 March 2012	Year ended 31 March 2011
	£m	£m
Cables/pipelines	3.5	2.1
Coastal	17.1	16.4
Dredging	4.1	0.9
Renewables	5.8	4.5
<b>Marine</b>	<b>30.5</b>	<b>23.9</b>
Agricultural	4.3	4.0
Minerals	3.1	3.1
Forestry	0.4	0.3
<b>Rural</b>	<b>7.8</b>	<b>7.4</b>
<b>Urban Retail</b>	<b>79.9</b>	<b>–</b>
<b>Total</b>	<b>118.2</b>	<b>31.3</b>

**Alison Nimmo CBE**

Signed by Second Commissioner and Accounting Officer  
on behalf of the Board

15 June 2012

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## The marine estate in Wales

**We engage with partners, local people and other bodies in order to facilitate the development of a world class offshore energy capability.**

The activities of the marine estate are bringing significant new inward investment, businesses and jobs to the UK. As stewards of the territorial seabed and having brought forward the first two rounds of offshore wind farm developments around the UK, The Crown Estate is playing an active role in helping Wales to make the most of offshore resources.

### Enabling the renewable sector

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The year saw the commencement of offshore works on the Gwynt y Mor project off the coast of north Wales. Once completed, this will be Wales' largest wind farm, generating enough energy to power 400,000 homes. The major projects in Round 3 also made significant progress during the year. Two of the nine zones in the Round 3 programme are in waters close to Wales, one in the Irish Sea and the other in the Bristol Channel. These major projects made significant progress during the year by completing numerous offshore surveys and consultation events.

We have announced an agreement for a lease for a tidal stream energy project in Welsh waters. Tidal Energy Limited has been awarded rights to develop a site off St David's Head in Pembrokeshire. This is the third such agreement for tidal projects now in place in Welsh waters. An agreement for lease enables the companies to proceed further in development, consulting local stakeholders and preparing applications to obtain

consents from the Welsh Government's Marine Consents Unit. If consents are granted, there is the option to turn the agreements into full leases for construction and operation.

Offshore energy remains in the relatively early stages of development, which is why we have organised a series of UK supply chain events for the third consecutive year. One such event took place in Llandudno in May 2012 and brought together key industry players to promote the development of specialist supply chains, maintain confidence in the market and boost the drive to increase offshore renewable manufacturing and wind farm support service opportunities in the UK. The event was delivered through a partnership between The Crown Estate, the UK Government and the Welsh Government.

### Investing in communities and businesses

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Our coastal holdings comprise areas of great beauty and national importance, and we take our responsibilities towards them and to the people of Wales very seriously indeed. The challenge is to balance environmental priorities with opportunities for commercially sustainable development. We achieve this by working closely with the full spectrum of marine-based industries.

In 2011/12, for example, we co-invested with Quay Marinas to fund the state-of-the-art 'Little Orme' dredging vessel to serve the needs of Conwy and Deganwy marinas. These marinas contribute some £6 million to the local economy and support around 100 jobs.



**Above** The state-of-the-art 'Little Orme' dredging vessel will serve the needs of Conwy and Deganwy marinas. These marinas contribute some £6 million to the local economy and support around 100 jobs.

### Managing offshore mineral rights

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Our marine estate also includes the mineral rights on or under the seabed, from the coastline out to the edge of the UK continental shelf, but not including oil and gas. As a landowner, we issue licences for aggregate extraction once a company has received approval from the Welsh Government, which regulates the matter.

Much of the south Wales construction industry relies on a regular and reliable supply of aggregates dredged from the Bristol Channel. We regularly review the available scientific evidence to make sure that the dredging industry follows best practice and therefore remains a sustainable industry.

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## The rural estate in Wales

### **We aim to ensure long-term sustainable performance on our rural estate through active management.**

Stewardship is a core value of The Crown Estate, so our commercial drive is tempered with a clear recognition of our wider responsibilities. We will always seek to do the right thing for the long-term wellbeing of assets which form part of the nation's heritage and fabric.

### **Welsh common land**

The majority of our estate in Wales is common land which is primarily used for grazing sheep. The day-to-day management of this land usually lies in the hands of commoners, operating through commons associations. Our aim is to work with our tenants to help in the continued success of their businesses. We provide capital for viable co-investment projects and facilitate the promotion and marketing of high quality products and services.

We regularly survey areas of common land in order to provide local 'presence' and to identify matters that require attention. For 2011/12, the focus was upon Meirionnydd and our managing agents are addressing issues which include fly tipping, unlicensed fencing and ownership.

### **Renewables projects**

Aware of the emotions, both positive and negative, that wind farms arouse, we work closely with developers, communities and the Welsh Government to make sure that our proposals meet local and national needs. In particular, we are committed to ensuring that, wherever possible, decisions that affect Wales should be made in Wales. To this end, we have restricted our proposals to projects of 50MW or below, a level which ensures that planning issues are resolved in Wales.

We have decided not to pursue the opportunities for micro generation at Plynlimon, which were outlined in last year's report, due to concerns about the potential impact on a site of

Special Scientific Interest. However, significant progress was achieved on three wind farms which are now in the planning process.

At Llanllwni in Carmarthenshire, a planning application was submitted in October to erect 15 turbines. We have agreed habitat management plans with developer RES and the Countryside Council of Wales (CCW), and taken part in a number of exhibitions which have provided information to local people. If approved the wind farm is expected to begin operation towards the end of 2014.

We have also agreed an option and lease with Wind Power Wales for a wind farm at Llys Dymper in Conwy. The number of turbines has been reduced from 14 to 11, due to local concerns. A planning application has been registered and the wind farm could be commissioned in mid-2014.

The developer RWE has an option and lease agreed for a wind farm at Cilfaesty in Powys. As with Llys Dymper, the number of turbines has been reduced, this time from six to four because of environmental concerns. RWE has written to commoners and the Welsh Government in advance of a planning application which is expected to be filed later in 2012.

As the financial year closed, we received a report from our agents on hydro and small wind projects on the Welsh rural estate. The report is now being evaluated, although early indications are that we could potentially progress 10–15 hydro schemes in the next two years.

### **Agricultural holdings**

Our agricultural interests in Wales include Plynlimon, which comprises two agricultural holdings, and Tintern, which includes not only a farming enterprise but also substantial mineral interests on the west bank of the River Wye. Tintern Abbey also falls within the ownership of The Crown Estate although, in the interest of preserving this monument for future generations, we have agreed to place the Abbey in the care of CADW,

the Welsh Government's historic environment service, under a long-term management agreement. Tintern Abbey is an historic gateway for visitors entering Wales and attracts many visitors each year.

### **Minerals, Mines Royal and abandoned mines**

There are 10 mineral extraction operations across Wales. These include operations of various scales producing aggregates from limestone and igneous rock as well as slate operations. The downturn in the wider economy has affected these businesses, with the construction industry showing little prospect of a significant upturn.

Deposits of gold and silver are known as Mines Royal and are owned by The Crown Estate wherever they occur in the majority of the UK. Commercial production has taken place in Wales in the past and there is currently one gold exploration agreement in place, in Gwynedd.

Through our historic ownership of minerals, we have some responsibilities for certain abandoned mine workings and during 2011/12 as part of our ongoing annual safety programme we invested a further £110,000 in looking after these sites.

At the Cwmystwyth mine site in Ceredigion, for example, we completed an important project in August. The challenge was to secure building structures from a safety perspective whilst maintaining their archaeological integrity. We worked alongside a wide range of nature and conservation bodies, including CADW, CCW and the Royal Commission on the Ancient and Historical Monuments of Wales. We also had a short summer window to work within to avoid disturbance to protected species. The work was completed within budget, on time and gained the approval of the Welsh Mines Preservation Trust, whose Secretary Graham Levins wrote: "I felt I must write on behalf of the Welsh Mines Preservation Trust to compliment you on the work carried out at the mine by the Crown Estate."



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## The urban estate in Wales



**Above** Morfa retail park, Swansea. We invested nearly £200 million in retail parks during the year, taking the value of our regional portfolio to over £1 billion for the first time.

### The regional portfolio of our urban estate made its first Welsh acquisition during the year.

Retail property plays an increasingly important role in the regional portfolio of our urban estate and in 2011/12 we were pleased to complete the purchase of Morfa shopping park in Swansea, from The Junction Fund, for £80 million at a 5.8 per cent net initial yield.

Not only is this the urban estate's first acquisition in Wales, but it also pushes the retail element of the portfolio over £1 billion in value for the first time. In the last 12 months, we have invested £360 million in the retail sector and are now one of the UK's largest owners of retail property with over 3.8 million sq ft nationwide. Other recent retail acquisitions include the Westgate Shopping Centre in Oxford and retail parks in Nottingham, Aintree, Hemel Hempstead and Portsmouth.

### Morfa shopping park

Situated one and a half miles from Swansea city centre, Morfa comprises 340,000 sq ft of prime retail space, with occupiers including WM Morrison, TK Maxx, New Look, Next, B&Q and DSG Currys Megastore. The park is only five miles from the M4 and benefits from an excellent transport network.

Although Morfa was fully let at the time of the acquisition, the retailer Peacocks entered administration in January 2012. As local shoppers and the retail community were keen to see the store continue trading, we worked hard alongside the management team to ensure that Bon Marché, a Peacocks format, remained open on the site.

Our strategy for Morfa is to build on its current standing by improving the quality of the retail park itself as well as the customer experience. We look forward to reporting on our progress in next year's report.

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## Working with government and communities

### **We are keen to work with the grain of government and to play our full part in helping the businesses and people of Wales benefit from the assets under our management.**

In November, we signed a Memorandum of Understanding (MoU) with the Welsh Government, setting out the responsibilities and levels of accountability of our respective organisations. This is our first MoU with any of the devolved governments of the UK and it formally signals our joint intent to work closely together to address the issues that affect Wales.

The Welsh Government has made a strong commitment to tackling climate change through diversified renewable energy generation, and this is an area where we can play a key role as enablers.

In addition to the MoU, we seek to work with the grain of government at all times and respect the dynamics of devolution. For example, we sit on many advisory committees, including technical groups and those concerned with marine conservation, where our experience and advice can help bring policy initiatives to fruition.

### **Partnering with local people**

The year saw us continue to support a large number of initiatives that aim to create an environment in which local businesses and communities can prosper.

### **Fishguard marina and port**

As the financial year ended, we were pleased to see outline planning permission granted for a major development of the marina and port at Fishguard in Pembrokeshire that should bring considerable long-term economic benefit to the area. The outline planning application by The Conygar Investment Company PLC

was for a mixed-use development comprising a commercial marina, residential apartments and ancillary marine-related retail/commercial outlets. It also incorporates land reclamation for a new development platform that will create the opportunity for Stena Line to expand its port and ferry operations.

### **Milford Haven moorings**

Further south, we are now finalising agreements with various local mooring groups along Milford Haven to manage thousands of leisure moorings on a community basis. This new approach, which has been developed in close co-operation with the Milford Harbour Users Association and other local groups, will bring greater consistency to moorings management and provide more autonomy for the local community.

### **Glyndŵr's Way National Trail**

Named after the early fifteenth century figure Owain Glyndŵr, the Glyndŵr's Way National Trail crosses Crown Estate common land for part of its 135 mile route. During 2011/12, we cooperated with Powys County Council to dedicate a path designed to assist the future security and definition of the trail.

### **Marine stewardship fund**

Our marine stewardship fund is widely valued for supporting community initiatives, encouraging good environmental practice and promoting the long-term sustainable management of the marine estate. We evolved our approach in 2011/12, to ensure that projects not only help meet the business objectives of the estate but are also developed in partnership with our stakeholders and tenants.

Among several projects funded during the year, we contributed £15,000 to Marine Energy Pembrokeshire, and have committed a further £15,000 per year for the next two years. The funds will go towards implementation of a forum to support the development of wave and tidal energy in Pembrokeshire. The forum will help developers and statutory bodies to work together to understand and overcome the potential barriers to consent. The current work plan includes developing a consenting route map, providing a series of seminars and events focused on supply chain issues, as well as helping to generate political support for wave and tidal energy. In addition to providing funding, we are actively inputting into the working group and providing expertise from our marine policy & planning team.

We also provided over £8,500 to fund renovations and improvements to the jetty at Towy Boat Club, taking our total support since 2010 to more than £15,000. The current jetty was constructed in 1983, using old telegraph poles and the timbers from a demolished chapel, and requires renovation to meet the future needs of the Club and provide safer access to the marine environment.

The marine stewardship fund supports a wide range of projects, including relatively small-scale local community initiatives such as the Himalayan Balsam Eradication Project organised by St Dogmaels Community Association, in collaboration with Pembrokeshire Coast National Park Authority. We contributed £500 towards removal of this invasive weed from land within the National Park. The non-native Himalayan balsam plant is prolific, spreads quickly and chokes out a range of native vegetation.

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# Report of the Comptroller and Auditor General to The Crown Estate Commissioners

I have audited the financial statements of The Crown Estate for the year ended 31 March 2012, from which the financial information on pages 1 and 2 was derived, in accordance with International Standards on Auditing. In my report dated 11 June 2012, I expressed an unqualified opinion on the financial statements from which the financial information was derived.

In my opinion, the accompanying financial information has been correctly extracted, in all material respects, from the accounting records used to construct the audited financial statements from which they were derived.

For a better understanding of the company's financial position and the results of its operations for the period and of the scope of our audit, the financial information should be read in conjunction with the financial statements from which the financial information was derived and our audit report thereon.

**Amyas CE Morse**  
*Comptroller and Auditor General*

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*18 June 2012*